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August 15, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-47, Boston Edison Company, Cambridge Electric Light Company,
Commonwealth Electric Company, NSTAR Gas Company, Pension/PBOP
Adjustment Mechanism Tariff Filing

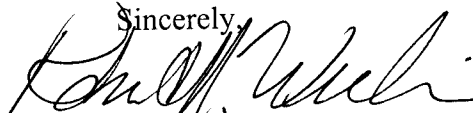
Dear Secretary Cottrell:

Enclosed for filing in the above-referenced matter are the responses to the Record Requests set forth on the accompanying list.

Please note that the attachments to Record Request AG-2 are being filed with the Hearing Officer, only, subject to the Hearing Officer's ruling at the Department's August 6, 2003 evidentiary hearing protecting the attachments from public disclosure.¹ A copy is also being provided to the Attorney General subject to the execution of a Non-Disclosure Agreement with the Company.

Thank you for your attention to this matter.

Sincerely,



Robert N. Werlin

Enclosures

cc: Service List

¹ In his request for the attached information, the Attorney General had no objection to the Department granting protective treatment for the response (Tr. 1, at 93). Because the Hearing Officer granted the Company's request at hearing for confidential treatment, the Company has not filed a written motion. See Tr. 1, at 132; 220 C.M.R. 1.04(5)(d).

Responses to Record Requests

Record Request AG-1

Record Request AG-2

Record Request AG-3

Record Request AG-1

Please show the amounts recovered in rates and FAS amounts expensed from 1987 through 2002.

Response

Please refer to Exhibit DTE-1-2(Rev) for pension and PBOP amounts recovered in rates, contributions and amounts expensed for the years 1993 – 2002. The Company adopted SFAS 106 effective in 1993 and therefore amounts in rates, contributions, and expense before 1993 are zero. Pension contributions from 1990 – 1992 were provided in Exhibit AG-1-11. Amounts expensed from 1990 – 1992 were provided in Exhibit AG-1-14. Please refer to Table 1 and Table 2 below for expenses and contributions for 1987 – 1989, and for amounts included in rates for 1987 – 1992.

In summary, from the inception of SFAS 87 and SFAS 106 through the end of 2002, the Company has collected \$437 million in rates for pension and PBOP, while over the same period of time it incurred \$450 million in SFAS 87 and SFAS 106 expense and it contributed \$930 million to its pension and VEBA trust funds. Therefore, the Company has not over-collected amounts for pension and PBOP expenses incurred, and is seeking appropriate carrying charges only for out-of-pocket cash (which is the sum of the prepaid amounts and the deferral) over the several years it will take for the prepaid pension/PBOP and associated deferrals to reverse themselves.

Further, as a result of not over-collecting, the prescribed calculation of SFAS 87 and SFAS 106 results in the Pension/PBOP Adjustment Mechanism reconciling to SFAS 87 and SFAS 106 expense as well as (over time) to cash contributions to the respective trusts.

Table 1
(\$'s in Millions)

	<u>1987</u>	<u>1988</u>	<u>1989</u>
<u>SFAS 87 Expense</u>			
NSTAR Regulated Total	\$ 8.882	\$ 7.889	\$ 9.669
Boston Edison Company	\$ 3.198	\$ 1.640	\$ 2.891
Cambridge Electric Light Company	\$ 0.639	\$ 0.702	\$ 0.761
Commonwealth Electric Company	\$ 2.951	\$ 3.245	\$ 3.519
NSTAR Gas Company	\$ 2.094	\$ 2.302	\$ 2.497
<u>Pension Contributions</u>			
NSTAR Regulated Total	\$ 6.171	\$ 10.492	\$ 8.272
Boston Edison Company	\$ -	\$ 4.126	\$ 2.236
Cambridge Electric Light Company	\$ 0.693	\$ 0.715	\$ 0.678
Commonwealth Electric Company	\$ 3.204	\$ 3.305	\$ 3.134
NSTAR Gas Company	\$ 2.273	\$ 2.345	\$ 2.224

Table 2
(\$'s in Millions)

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
<u>Pension Expense In Rates</u>						
NSTAR Regulated Total	\$ 10.543	\$ 10.984	\$ 11.596	\$ 7.798	\$ 8.556	\$ 9.822
Boston Edison Company	\$ 5.529	\$ 5.529	\$ 5.529	\$ 1.640	\$ 1.640	\$ 1.640
Cambridge Electric Light Company	\$ 0.507	\$ 0.742	\$ 0.793	\$ 0.834	\$ 0.834	\$ 0.834
Commonwealth Electric Company	\$ 2.060	\$ 2.060	\$ 2.621	\$ 2.671	\$ 3.301	\$ 3.930
NSTAR Gas Company	\$ 2.447	\$ 2.653	\$ 2.653	\$ 2.653	\$ 2.781	\$ 3.418

Note: In determining the amounts of pension expenses in rates, the Company has been unable to locate all filing materials for D.P.U. 89-100, D.P.U. 84-165, and D.P.U. 956. However, based on Department orders for those dockets, the Company calculated pension expense in rates from actual pension expense booked in the appropriate test year as provided in the respective S.E.C. Forms 10-K. This methodology was employed for Boston Edison for the years 1990 - 1992, for Cambridge Electric Light Company for the year 1987, and for Commonwealth Electric Company for the years 1987 - 1988.

Record Request AG-2

Please provide the engagement letters for financial statement audits for years 2002 and 2003. [CONFIDENTIAL]

Response

The engagement letters are attached for the following financial statement audits:

- 2002 audit of NSTAR, Boston Edison Company, Commonwealth Electric Company, NSTAR Gas Company, Cambridge Electric Light Company, Canal Electric Company and Harbor Electric Energy Company; 2002 NSTAR SFAS 123 Computation
- 2002 audit of MATEP, Inc.
- 2003 audit of NSTAR
- 2002 audit of the NSTAR Pension Plan, the Long Term Disability Plan of Commonwealth Energy System and Subsidiary Companies and the NSTAR Group Welfare Benefit Plans
- 2002 audit of the NSTAR Savings Plan

[ATTACHMENTS ARE PROTECTED MATERIALS]

NSTAR Electric and Gas Company
Department of Telecommunications and Energy
D.T.E. 03-47
Record Request: **AG-3**
August 7, 2003
Person Responsible: James J. Judge
Transcript reference page: 153
Page 1 of 1

Record Request AG-3

Please provide page 2 of 2 of Attachment AG-1-25.

Response

As indicated in Attachment AG-1-25, the email was forwarded to the Company from PwC and subsequently printed out. Upon a search of the Company's records, a second page of this e-mail was not located. Please note the language at the end of the e-mail message – "Please make sure you are familiar with the NSTAR Information Systems Acceptable Use Policy." This language typically automatically appears at the end of an e-mail received from an external third party. Based on this, the Company believes that the heading "Page 1 of 2" may have been in error, or the second page was blank and discarded. In any event, the Company believes that Attachment AG-1-25 is the entirety of the message that was forwarded by PwC.